

# SurgePays Announces Third Quarter 2022 Financial Results

- Q3 revenue increased 2.5X YoY
- Surpassed 2022 year-end goal of 200,000 Mobile Broadband subscribers
- ACP enrollment process fully integrated into SurgePays convenience store platform

**Bartlett, Tenn., November 14, 2022** --SurgePays, Inc. (Nasdaq: SURG) ("SurgePays" or the "Company"), a technology and telecommunications company focused on the underbanked and underserved, today announced its financial results for the third quarter ended September 30, 2022.

## Third Quarter 2022 Operational and Financial Highlights

- Revenue of \$36.2 million in the third quarter, an increase of 149% compared to the third quarter of 2021
- Gross profit of \$1.9 million in the third quarter, an increase of 1% compared to the third quarter of 2021
- Net loss of \$(1.5 million) in the third quarter compared to a net loss of \$(1.7 million) in the year ago period
- Surpasses Year end Goal of 200,000 subscribers
- Appoints Jeremy Gies, President of SurgePays Fintech to drive increases in the number of stores using SurgePays software and revenue per store
- Integrate ACP into SurgePays Fintech Platform to enable in store enrollments

## CEO Commentary and Outlook

Chairman and CEO Brian Cox commented on third quarter results, "The third quarter for SurgePays was about disciplined growth while maintaining a velocity resulting in a 2.5X revenue increase and surpassing our 2022 year-end goal of 200,000 mobile broadband (wireless) subscribers. We continued our growth curve without dilutive capital raises through planning and discipline. In a turbulent economy, our team is successfully forging ahead focused on defined targets of subscribers, stores on our network, and revenue.

"Once we hit 150,000 mobile broadband subscribers, we analyzed our efficiency in purchasing wireless equipment, margins, and retention. This evaluation has led to margin expansion in both our equipment and service provision. We have also implemented new protocols to enhance customer retention."

"By adding ACP enrollments to our SurgePays platform for convenience stores, we can accelerate our growth goals due to being the only company we are aware of offering ACP at the community stores where the underbanked most frequently shop. These stores accept SNAP(EBT), a qualifying program. At the register, the clerk can quickly submit customer data needed for our compliance specialists to activate the customer. By adding this offering to our suite of prepaid products for the store owner, we should see rapid growth in our total store count.

Mr. Cox concluded: "I have been very open about not measuring our company by quarters, but the trajectory to hit subscriber and revenue goals while improving the Cap Table. We are executing with real-time results in the middle of a land grab. I believe we have barely scratched the surface and will continue to refine our sales and operating practices to maximize the rapid scaling of our sales and revenue."

## Conference Call and Webcast Information

SurgePays will host a conference call today to review its results and discuss its performance at 5:00 p.m. ET / 2:00 p.m. PT. Participants may join the conference call by dialing 1-877-270-2148 (United States) or 1-412-902-6510 (International). A telephonic replay of the call will also be available shortly after the completion of the call, until 11:59 pm ET on November 28, 2022, by dialing 1-877-344-7529 (United States) or 1-412-317-0088 (International) and entering the replay pin number: 1557657.

A live webcast will be available on SurgePays, Inc Investor Relations site under the Upcoming Event section at <http://ir.surgepays.com> and will be archived online upon completion of the conference call.

## About SurgePays, Inc.

SurgePays, Inc. is a technology and telecommunications company focused on the underbanked and underserved communities. SurgePhone Wireless provide mobile broadband to low-income consumers nationwide. SurgePays blockchain fintech platform utilizes a suite of financial and prepaid products to convert corner stores and bodegas into tech-hubs for underbanked neighborhoods. Please visit [SurgePays.com](http://SurgePays.com) for more information.

## About Non-GAAP Financial Measures

The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used to evaluate companies on the basis of operating performance and leverage.

EBITDA is not intended to represent cash flows for the periods presented, nor have they been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with SEC Regulation G, the non-GAAP measurements in this press release have been reconciled to the nearest GAAP measurement, which can be viewed under the heading "Reconciliation of Net Income (loss) from Operations to EBITDA" in the financial tables included in this press release.

## Cautionary Note Regarding Forward-Looking Statements

This press release includes express or implied statements that are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Forward-looking statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance and may contain projections of our future results of operations or of our financial information or state other forward-looking information. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

Although we believe that the expectations reflected in these forward-looking statements such as regarding our market potential along with the statements under the heading Business Outlook are reasonable, these statements relate to future events or our future operational or financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control, including, without limitation, statements about our future financial performance, including our revenue, cash flows, costs of revenue and operating expenses; our anticipated growth; our predictions about our industry; the impact of the COVID-19 pandemic on our business and our ability to attract, retain and cross-sell to clients. The forward-looking statements contained in this release are also subject to other risks and uncertainties, including those more fully described in our filings with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The forward-looking statements in this press release speak only as of the date on which the statements are made. We undertake no obligation to update, and expressly disclaim the obligation to update, any forward-looking statements made in this press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

## Investor Relations

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SurgePays, Inc. and Subsidiaries  
Consolidated Statements of Operations

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<b>Revenues</b>	\$ 36,
<b>Costs and expenses</b>	
Cost of revenue	34,
General and administrative expenses	2,
<b>Total costs and expenses</b>	<u>37,</u>
<b>Loss from operations</b>	<u>(</u>
<b>Other income (expense)</b>	
Interest expense	(
Derivative expense	
Change in fair value of derivative liabilities	
Gain (loss) on investment in <u>Centercom</u> - former related party	
Gain on settlement of liabilities	
Gain on deconsolidation of True Wireless	
Amortization of debt discount	
Gain on forgiveness of PPP loan - government	
<b>Total other income (expense) - net</b>	<u>(</u>
<b>Net loss including non-controlling interest</b>	(1,
<b>Non-controlling interest</b>	<u>(</u>
<b>Net loss available to common stockholders</b>	<u><u>\$ (1,</u></u>

**Loss per share - basic and diluted** \$

**Weighted average number of shares - basic and diluted** 12,

SurgePays, Inc. and Subsidiaries  
Consolidated Balance Sheets

**Assets**

**Current Assets**

Cash

Accounts receivable - net

Inventory

Prepays

**Total Current Assets**

**Property and equipment - net**

**Other Assets**

Note receivable

Intangibles - net

Goodwill

Investment in Centercom - former related party

Operating lease - right of use asset - net

**Total Other Assets****Total Assets****Liabilities and Stockholders' Equity****Current Liabilities**

Accounts payable and accrued expenses

Accounts payable and accrued expenses - related party

Deferred revenue

Operating lease liability

Loans payable - related parties

Notes payable - SBA government

Notes payable - net

**Total Current Liabilities****Long Term Liabilities**

Loans payable - related parties

Notes payable - SBA government

Operating lease liability

**Total Long-Term Liabilities****Total Liabilities**

## **Commitments and Contingencies (Note 8)**

### **Stockholders' Equity**

Series A, Convertible Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 13,000,000 and 13,000,000 shares issued and outstanding, respectively

Series C, Convertible Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively

Common stock, \$0.001 par value, 500,000,000 shares authorized and 12,063,834 shares issued and outstanding, respectively

Additional paid-in capital

Accumulated deficit

Stockholders' equity

Non-controlling interest

**Total Stockholders' Equity**

**Total Liabilities and Stockholders' Equity**

## Operating activities

Net loss - including non-controlling interest

Adjustments to reconcile net loss to net cash used in oper

Provision for inventory obsolescence

Depreciation and amortization

Amortization of right-of-use assets

Amortization of debt discount/debt issue costs

Recognition of share-based compensation

Warrants issued for interest expense

Change in fair value of derivative liabilities

Derivative expense

Gain on settlement of liabilities

(Gain) loss on equity method investment - Centercom  
related party

Gain on forgiveness of PPP loan

Gain on deconsolidation of subsidiary (True Wireless)

Changes in operating assets and liabilities

(Increase) decrease in



Accounts receivable

Lifeline revenue - due from USAC

Inventory

Prepays

Increase (decrease) in

Accounts payable and accrued expenses

Accounts payable and accrued expenses - related party

Deferred revenue

Operating lease liability

**Net cash used in operating activities**

**Investing activities**

Purchase of property and equipment

Purchase of software

Acquisition of Torch, Inc.

Cash disposed in deconsolidation of subsidiary (True Wi

**Net cash used in investing activities**

**Financing activities**

Proceeds from stock and warrants issued for cash

Proceeds from loans - related party

Repayments of loans - related party

Proceeds from notes payable

Repayments on notes payable

Proceeds from SBA notes

Repayments on SBA notes

Proceeds from convertible notes

Repayments on convertible notes - net of overpayment

**Net cash provided by financing activities**

**Net increase (decrease) in cash**

**Cash - beginning of period**



Revenue

Cost of revenue (exclusive of depreciation and amortization)

General and administrative expenses

Loss from operations

Net loss to common stockholders

Interest expense

Depreciation and Amortization

EBITDA

Revenue

Cost of revenue (exclusive of depreciation and amortization)

and amortization)

General and administrative expenses

Loss from operations

Net loss to common stockholders

Interest expense

Depreciation and Amortization

EBITDA

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